

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 11 July 2022

Dear Councillor

Notice of Meeting

Meeting **Audit, Governance and Standards Committee**

Date **Tuesday, 19 July 2022**

Time **9.30 am**

Venue **Council Chamber, Civic Centre, Stone Cross, Rotary Way, Northallerton,
DL6 2UU**

Yours sincerely

J. Ives.

Dr Justin Ives
Chief Executive

To: Councillors
N A Knapton (Chairman)
P Atkin
P Bardon
D B Elders (Vice-Chairman)

Councillors
Mrs B S Fortune
K G Hardisty
R W Hudson

Other Members of the Council for information

Note: Members of the press and public are also able to observe the meeting virtually via Teams. Please click on the link on the website or dial 020 3855 5195 followed by the Conference ID: 482 820 371# For further information please contact Democratic Services on telephone 01609 767015 or email committeeservices@hambleton.gov.uk

Agenda

Page No

1. Minutes
To confirm the minutes of the meetings held on 22 March and 17 May 2022 (AGS.20 to AGS.30 and AGS.1 – AGS.2), previously circulated.
2. Apologies for Absence
3. Politically Restricted Posts 1 - 4
Report of the Director of Law and Governance (Monitoring Officer)
Relevant Ward(s): All Wards
4. Annual Head of Internal Audit Report and Counter Fraud Annual Report 2021/22 5 - 36
Report of the Chief Executive
Relevant Ward(s): All Wards
5. Annual Report to Cabinet on the Audit, Governance and Standards Committee's Activities 2021/22 37 - 40
Report of the Chief Executive
6. Matters of Urgency
Any other business of which not less than 24 hours prior notice, preferably in writing, has been given to the Chief Executive and which the Chairman decides is urgent.

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 19 July 2022

From: Director of Law and Governance (Monitoring Officer)

Subject: **Politically Restricted Posts**

Portfolio Holder: Governance
Councillor Mrs I Sanderson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 As part of its functions the Committee is responsible for approving the list of politically restricted posts. This report asks the Committee to review the list because of re-organisation and changes in job titles within the Council.
- 1.2 Under the Local Government and Housing Act 1989 certain posts within the Council are politically restricted. This means that persons within those posts are prevented from becoming or remaining Members of a Local Authority or indeed standing for election to parliament. Every Local Authority has to maintain a list of politically restricted posts. Certain categories of Officer are required to be on the list.
- 1.3 Those required to be the list on the list are:-
- (a) Head of the Authority's Paid Service;
 - (b) any Statutory Chief Officer;
 - (c) any Non-Statutory Chief Officer;
 - (d) a Deputy Chief Officer (Head of Service);
 - (e) a Monitoring Officer;
 - (f) any Political Assistants;
 - (g) those posts where in the Council's opinion the Officer gives advice on a regular basis to the Council, the Cabinet or any Committee or Member of the Cabinet.
- 1.4 The Council is required to deposit the list with the Proper Officer and to deposit any subsequent lists with the Proper Officer. The Proper Officer is the person designated from time to time by the Council for that purpose (currently the Chief Executive).
- 1.5 It is also deemed to be a condition of the employment of all those in politically restricted posts that their political activities are restricted in accordance with the Act.
- 1.6 Attached as an Annex is the proposed list. In respect of the category of "Other Officers", the Committee needs to be satisfied that they give advice on a regular basis to the Council, Cabinet, Committees or Members of the Cabinet or they speak on behalf of the Council on a regular basis to journalists or broadcasters.

2.0 Recommendation

2.1 It is recommended that the list attached to the report be approved.

Gary Nelson
Director of Law and Governance (Monitoring Officer)

Background papers: None
Author ref: GN
Contact: Gary Nelson
Director of Law and Governance (Monitoring Officer)
Direct Line No: (01609) 767012

Local Government and Housing Act 1989

Politically Restricted Posts

Chief Officers:

Chief Executive
Deputy Chief Executive
Director of Economy and Planning
Director of Environment
Director of Finance (S151 Officer)
Director of Law and Governance (Monitoring Officer)
Director of Leisure and Communities

Other Officers

Head of Service – Commercial and Programme Management
Chief Planning Officer
Interim Head of Service – Business and Economy
Corporate Finance Manager
Corporate Facilities Manager
Corporate Communications Manager
Senior Communications and Media Officer
Development Managers
Business and Economy Managers
Communities Manager
Environmental Health Manager
Legal Manager
Taxation and Benefit Manager
Housing and Planning Policy Manager
Housing Services Manager
Waste and Street Scene – Operations Manager
Waste and Street Scene – Technical Support Manager
Customer Services Manager
ICT Manager
Business and Economy Officers
Democratic Services Officer
Democratic Services Assistant

This page is intentionally left blank

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 19 July 2022

From: Chief Executive

Subject: **Annual Head of Internal Audit Report and Counter Fraud Annual Report 2021/22**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015). The council has formalised its arrangements for internal audit within the Audit Charter. Internal Audit work is undertaken by Veritau who carries out work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 In accordance with paragraph 5.1 of the council's Audit Charter, 'The Head of Internal Audit is required to provide an annual report to the Audit, Governance and Standards Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement.'
- 1.3 The annual report (included at annex 1) summarises the outcomes of audit work undertaken in 2021/22. The report provides an opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control. An annual report setting out counter fraud activity and performance is also included at annex 2.

2.0 The Report

- 2.1 The results of completed audit work have been reported to relevant officers during the year. Appendix A in annex 1 provides details of the completed work. Appendix B contains further details on the audits finalised since the last report to this committee in March 2022.
- 2.2 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the Council is that it provides Substantial Assurance. No reliance was placed on the work of other assurance bodies in reaching this opinion and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

2.3 The counter fraud team undertook a range of work in 2021/22. This included investigation of potential criminality, support with Covid-19 assurance, policy review and development, and raising awareness of fraud reporting mechanisms for staff and members of the public. Annex 2 provides an overview of the work undertaken in the last year and the outcomes.

3.0 Link to Council Priorities

3.1 The work of internal audit supports the council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the council to become a more effective organisation.

4.0 Risk Assessment

4.1 There are no risks associated with this report.

5.0 Financial Implications

5.1 There are no financial implications associated with this report.

6.0 Legal Implications

6.1 There are no legal implications associated with the recommendations in the report.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 Members of the Committee are asked to:

- a) note the results of the audit and counter fraud work undertaken in 2021/22; and
- b) accept the opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the Council

Dr Justin Ives
Chief Executive

Background papers: None
Author ref: SC/DC
Contacts: Stuart Cutts, Assistant Director – Audit Assurance
The Veritau Group
stuart.cutts@veritau.co.uk

Daniel Clubb, Corporate Fraud Manager
The Veritau Group
daniel.clubb@veritau.co.uk

ANNUAL HEAD OF INTERNAL AUDIT REPORT

19 July 2022

Annex 1



CONTENTS

 Background	4	 Internal audit work carried out	4
 Follow up of agreed actions	5	 Professional standards	5
 Opinion of the Head of Internal Audit		6	
Appendix A 2021/22 internal audit work		7	
Appendix B Summary of key issues from audits finalised since the last report to the committee		8	
Appendix C Audit opinions and priorities for actions		13	
Appendix D Internal audit – quality assurance and improvement programme		14	



Stuart Cutts
Assistant Director - Audit Assurance



Max Thomas
Head of Internal Audit



BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit Committee. The report must include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2021/22

- 2 At the beginning of 2021/22, the Council was still recovering from the impact of the Covid-19 pandemic on its working practices and, in some areas, only starting to revert to business as usual. Since then significant (and increasing) resource has been redirected to the preparations for Local Government Reorganisation (LGR).
- 3 The 2021/22 internal audit work programme was formally agreed by the Audit Committee on 22 March 2021. Work in the early part of 2021/22 focussed mainly on finalising audits started in the previous financial year. During the remainder of the year audit work has continued to be prioritised based on risk and the need to provide coverage of the Council's framework of governance, risk management and control.
- 4 We have also continued to promote good governance, provide advice and make recommendations to management to help improve controls. Auditors meet with the s151 Officer and other senior officers on a regular basis to help identify and address key governance issues and concerns. Work has also been completed on a number of Covid related grant returns.
- 5 The results of completed audit work are reported to the relevant managers, the s151 officer and the Audit Committee. A summary of the internal audit work undertaken during the year is contained in **appendix A**.

- 6 At the time of writing, since the previous committee, 5 audits have been completed, one draft audit report has been issued, and work is continuing with 2 other audits close to being completed. **Appendix B** provides details of the key findings from internal audit assignments completed, that not previously reported to the committee.
- 7 **Appendix C** sets out our current definitions for each assurance level and the priorities for management action.



FOLLOW UP OF AGREED ACTIONS

- 8 It is important agreed actions are followed up to ensure they have been implemented. Veritau has followed up agreed actions during the year taking account of the timescales previously agreed with management for implementation. Our work shows that generally, good progress has been made by management during the year to address previously identified control weaknesses. There are no significant weaknesses to report to the Committee.



PROFESSIONAL STANDARDS

- 9 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the Audit Committee each year as part of the annual report. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 10 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018¹. This concluded that Veritau internal audit activity generally conforms to the PSIAS².

¹ Reported to the Audit Committee in January 2019

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- 11 The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP prepared by Veritau are given in **annex D**.
- 12 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the Public Sector Internal Audit Standards (PSIAS). The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit, Governance and Standards Committee. No changes are proposed at this time.



OPINION OF THE HEAD OF INTERNAL AUDIT

- 13 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides **Substantial Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.
- 14 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. In giving the opinion, we would note that the Covid-19 pandemic has continued to affect the authority over the last year, with a consequential impact on business operations and controls. The work of internal audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Final reports issued

Audit	Reported to Committee	Assurance Level
Sundry Debtors and Debt Recovery	July 2022	Reasonable Assurance
Risk Management	July 2022	Substantial Assurance
Cyber Risk Management	July 2022	Substantial Assurance
Creditors	July 2022	Substantial Assurance
Public Sector Decarbonisation	July 2022	No opinion (project risk review)
CIPFA Financial Management Code	March 2022	Substantial Assurance
Lifeguard Training	October 2021	Reasonable Assurance
Health and Safety Management	October 2021	Reasonable Assurance
Leisure Centres	October 2021	Substantial Assurance
Depot Security, Policies and Training	July 2021	No opinion (follow up work)
Commercial and Economic Developments	July 2021	Substantial Assurance
Microsoft Office 365	July 2021	No opinion (project support)
Creditors	July 2021	Reasonable Assurance

Audits in progress

Audit	Status	Assurance Level
Revenues and Benefits	Draft Report	Substantial Assurance
Annual Governance Statement	Work in Progress	-
Payroll	Work in Progress	-

Other work completed in 2021/22

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Certification of the Local Authority Compliance and Enforcement Grant, Protect and Vaccinate Grant, and Test and Trace Support Payments.
- Regular discussion with management, including ongoing discussions linked to local government reorganisation.
- Ongoing review of key documentation and meetings/minutes to help inform our future work and provide assurance/insight for our 2021/22 opinion.

APPENDIX B: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

Page 14

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Sundry Debtors and Debt Recovery	Reasonable Assurance	<p>We reviewed key controls within the sundry debtors and debt recovery systems to ensure that:</p> <ul style="list-style-type: none"> • invoices were requested and raised accurately and in a timely manner • outstanding debt was actively pursued and correct procedures followed • debt write-off procedures were being followed. <p>The audit did not include review of procedures relating to Council Tax, NNDR, or overpaid Housing Benefit.</p>	May 2022	<p>Strengths</p> <p>The processes and controls for requesting and raising sundry debtors were working well.</p> <p>Reminder letters had been sent within the timescales set out in the Corporate Debt Policy.</p> <p>No duplicate debts had been raised.</p> <p>Areas for improvement</p> <p>Aged debt reports are not being produced so officers and management are not using all sundry debt information to inform debt recovery strategies or to assess recovery performance.</p> <p>The Recovery section have an approach to recover outstanding sundry debts but this approach has been not formally documented, considered and approved by senior management.</p> <p>Little recovery action has been taken to recover outstanding sundry debts since March 2020. This is due to Covid 19, and the recovery team focusing on overpaid housing benefit as the amounts outstanding are greater. In 2022/23 the service will focus on reviewing all outstanding sundry debts.</p>	<p>Two Priority 2 actions and one Priority 3 actions were agreed.</p> <p>A focus in 2022/23 will be to ensure that all accounts are monitored, and recovery action is being taken.</p> <p>More, and closer working between the Recovery section and the Finance department will be undertaken to see what information can be provided and improvements can be made, to help monitor debts more effectively.</p> <p>All actions are planned to be fully completed by 30 September 2022.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Risk Management	Substantial Assurance	<p>The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:</p> <ul style="list-style-type: none"> • effective governance arrangements were in place to oversee risk management • significant risks were identified, measured and assessed • comprehensive risk registers were in place and reviewed consistently • appropriate and effective risk responses were selected, aligned with the organisation's risk appetite and progress is monitored. 	May 2022	<p>Strengths</p> <p>Processes and guidelines were in place to identify, measure and assess risks and were being followed.</p> <p>Governance arrangements were in place to oversee all risk registers. The Strategic Risk Management Group focuses on the significant risks; reviewing all corporate, project, and service risks rated as high. Meeting minutes showed there was appropriate challenge, with relevant questions being raised regarding key risks. The Corporate risk register was being regularly reviewed and appropriately updated.</p> <p>Service Managers have also been asked to consider local government reorganisation when they review their service risks to ensure these are still appropriate.</p> <p>Areas for improvement</p> <p>Some improvements could be made to action plans in terms of the actions described and the timescales given.</p> <p>Some elements recommended by best practice guidelines from the Institute of Risk Management (IRM) are not currently included in the Authority's risk management process and we shared these for possible consideration as part of shaping LGR arrangements.</p>	<p>Two Priority 3 actions were agreed.</p> <p>It was agreed there were some inconsistent approaches when identifying actions. These audit findings were to be highlighted to service managers ahead of Q1 2022/23 risk reporting.</p> <p>In the case of risks where review is continuous, we agreed this could be supported with a definite review point to ensure that regular monitoring is in place.</p> <p>Best practice comments were noted and will be discussed as part of the LGR risk management work stream if/when appropriate.</p> <p>Both actions are planned to be fully completed by 30 June 2022.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Cyber Risk Management	Substantial Assurance	<p>In 2021/22 the Council's ICT team has faced an increasing number of challenges in managing cyber risks. The purpose of this work was to provide assurance to management that:</p> <ul style="list-style-type: none"> risks were handled and managed in a systematic and appropriate way senior management regularly and routinely considered, monitored and reviewed IT risks and risk management a clear log of decisions was maintained the cyber risk management approach conformed to best practice. 	July 2022	<p>Strengths</p> <p>The Council's IT team has a systematic approach to assessing and monitoring risk. Emerging risks are acted upon and risk events followed up to assess the cause of the incident.</p> <p>The Council's cyber risk management approach (except in a few minor areas) conformed to best practice.</p> <p>The Council has had to manage a number of emerging risks in the past year. Action plans with short and medium term plans to mitigate these risks and help focus scarce resources have been prepared by the IT Team. These plans was presented to, and appropriate support and direction given by, senior management of the Council.</p> <p>Whilst there is no formal process for senior management to sign off these risk strategies (which is recommended by ISACA's IT Risk Management guidance), we can see these risk management strategies are being appropriately developed, discussed and 'owned' by senior management.</p> <p>Areas for improvement</p> <p>No areas for improvement were highlighted.</p>	-

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Creditors	Substantial Assurance	<p>We reviewed the creditor payments system to ensure:</p> <ul style="list-style-type: none"> payments were made for goods and services that had been appropriately ordered and received invoices were paid in a timely manner and were authorised by an appropriate officer duplicate payments were prevented changes to the contact details and bank accounts of suppliers were altered in accordance with Council procedures and guidelines. <p>The audit also included a follow up of the three actions from the 2020-21 audit.</p>	July 2022	<p>Strengths</p> <p>Council payment controls were working effectively. All payments made for goods and services reviewed had been appropriately ordered and received.</p> <p>Testing of all payments made in 2021/22, using computer aided audit techniques, identified that the Council had made no duplicate payments.</p> <p>Overall, invoices were being paid within a reasonable time and were being authorised. In all but two payments we reviewed which were made outside of the Council's target of twenty days explanations were provided which confirmed delays were outside of the Council's control.</p> <p>Areas for improvement</p> <p>Some changes to bank details were made on the Civica Financials system but were not fully recorded in line with internal procedures.</p> <p>Two invoices were paid significantly late (76 and 91 days after the date of the invoice) and no explanation had been recorded.</p>	<p>Three Priority 3 actions were agreed.</p> <p>The Corporate Finance Manager is to ensure internal procedures are followed and relevant documentation is fully completed for each change of bank details.</p> <p>Some changes to procedures notes on bank details to be updated.</p> <p>Business Support Team will continue to chase late invoices and record explanations when necessary. We will highlight to all relevant people the importance of prompt payment of invoices.</p> <p>All actions will be completed by 31 August 2022.</p>
Public Sector Decarbonisation	No opinion	The Council has been awarded £4.75m for seven schemes across the four leisure centres to decarbonise the energy being used to power these facilities.	July 2022	<p>Strengths</p> <p>There are defined monitoring arrangements in place. Monthly monitoring and progress reports are</p>	-

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		<p>The financial deadline to expend grant monies is 30 June 2022.</p> <p>We reviewed the internal arrangements for managing the key financial and grant related funding risks.</p>		<p>provided to the Council to help support management of the scheme and provide relevant information to the grant funder (Salix).</p> <p>Detailed reporting has been provided to members, first in March 2021, and a financial progress update in February 2022.</p> <p>The key risks of the scheme are well known and are being managed through the risk management processes. Relevant matters have, and are discussed by Management Team. Possible financial risks to the council of spending after 30 June 2022 are known, planned for, and likely to be small if incurred.</p> <p>For each of the three years following completion of the schemes, the Council needs to provide Salix with reports outlining the effectiveness of the project in delivering energy savings and CO2 reductions. These requirements are known, and are being planned for. Where appropriate, they have been incorporated into the work undertaken; for example to monitor the on-going energy saving, smart meters have been installed as part of the project and these will automatically provide consumption monitoring data.</p> <p>Areas for improvement</p> <p>No significant risks identified.</p>	

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit. Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control, to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

*There are circumstances when it is not appropriate to give an opinion/assurance level on completed work, for example on project and other support, consultancy, grant certification and follow up work. When '**no opinion**' is our conclusion this is not to be confused with a no assurance opinion.

Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX D: INTERNAL AUDIT - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular performance appraisals
- ▲ regular 1:2:1 meetings to monitor progress with audit engagements
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented using the company's automated working paper system (Sword Audit Manager)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ performance against agreed quality targets monitored and reported to each client on a regular basis
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit work are subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board³ as part of the annual report of the Head of Internal Audit.

External assessment

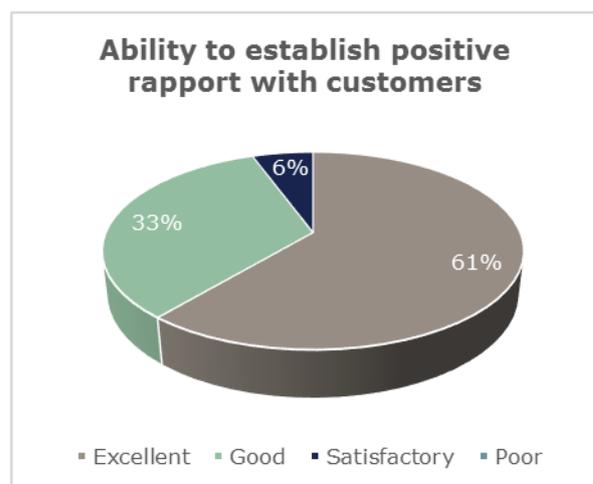
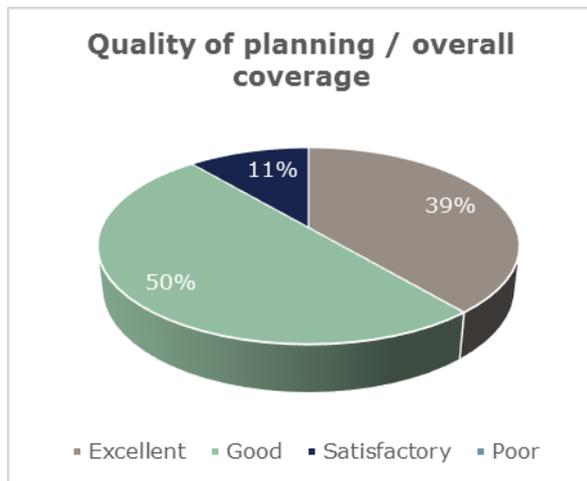
At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

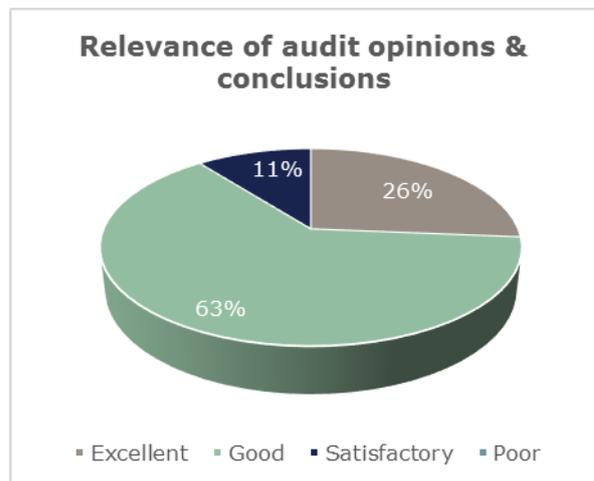
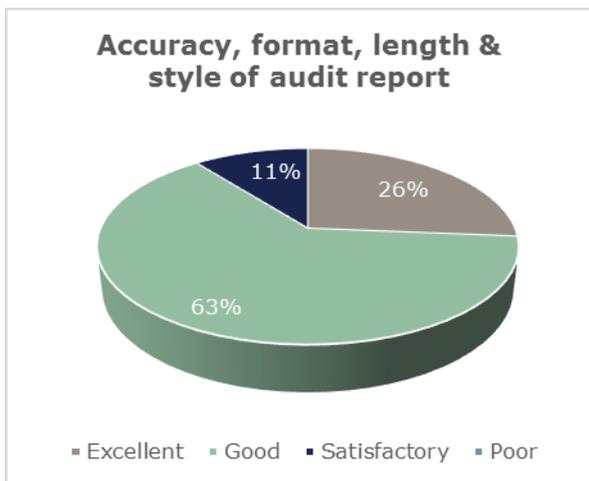
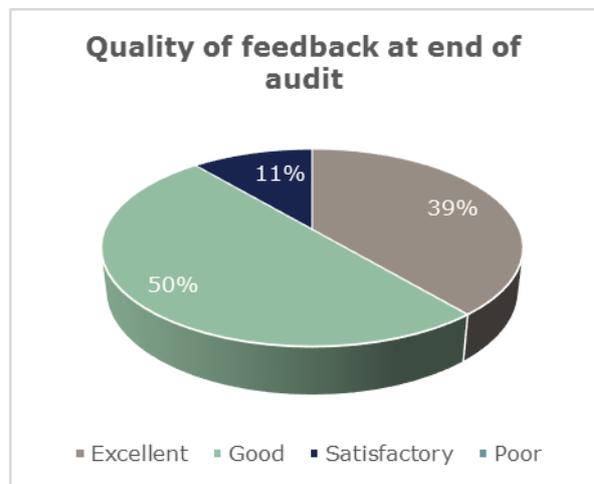
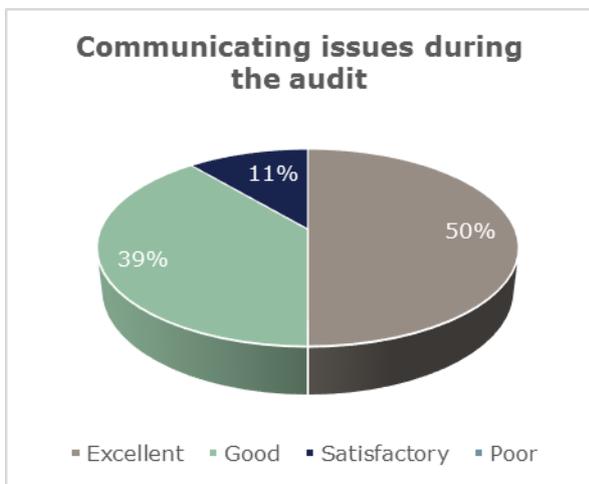
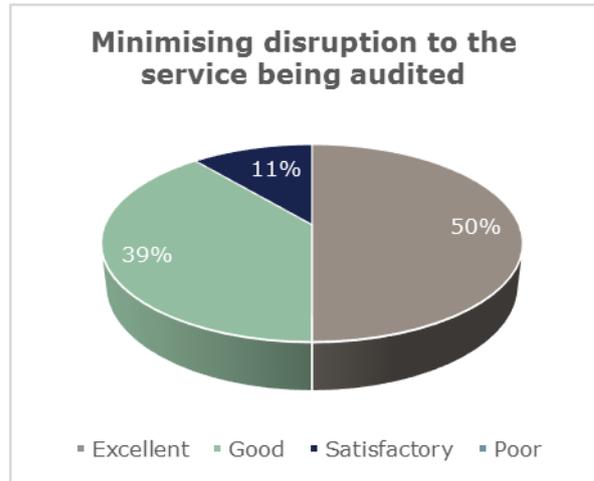
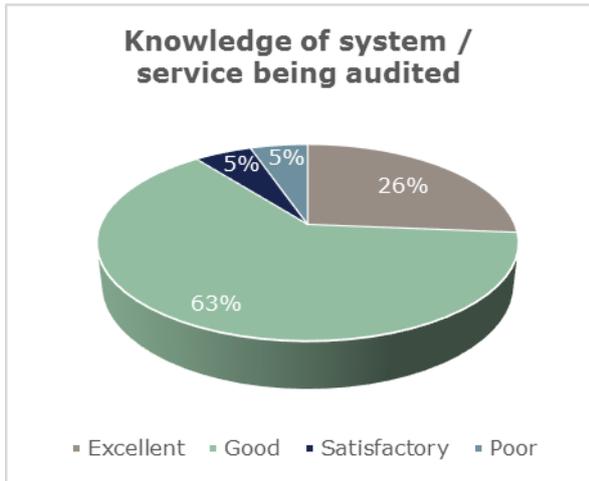
³ As defined by the relevant audit charter.

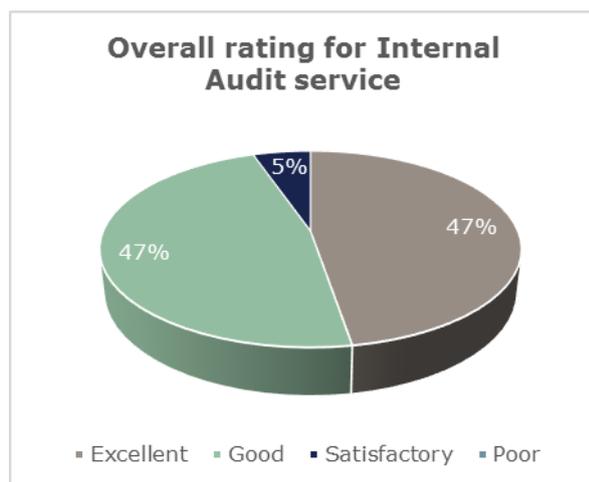
2.0 Customer Satisfaction Survey 2022

In March 2022 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 154 surveys (2021 – 165) were issued to senior managers in client organisations. A total of 19 responses were received representing a response rate of 12% (2021 – 12%). The surveys were sent using Smart Survey (an online survey tool) and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 5%).







The overall ratings in 2022 were:

	2022		2021	
Excellent	9	47%	11	58%
Good	9	47%	6	32%
Satisfactory	1	5%	0	0%
Poor	0	0%	2	11%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist 2022

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. A comprehensive update of the checklist was undertaken in 2020, following revisions by CIPFA.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action.

The following table shows areas of non-compliance. These remain largely unchanged from last year, although one area has been removed from the table. This related to whether risk based plans set out the respective priority of audit work. New flexible planning arrangements introduced mean that working practices now comply with the standards in this area.

Conformance with Standard	Current Position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was last undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee on 22nd January 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁴ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

Overall, internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit Standards. However, we recognise that the pace of change in local government and the wider public sector mean that we need to update aspects of the service to ensure it stays up to date and continues to deliver good value.

Between autumn 2020 and autumn 2021, Veritau undertook a fundamental review of internal audit practices. This resulted in the development of a new three year strategy which details how we will improve the internal audit service for our clients. The strategy sets out the actions we will be taking within Veritau to modernise our practices, from 2021 to 2024. The five key areas we are focussing on are:

- ▲ increasing engagement across all clients; to improve communication and ensure we understand what represents good value and where internal audit work should be focussed
- ▲ further development of strategic planning frameworks; focussing on further development of assurance mapping arrangements and other activities that help us ensure we provide assurance in the right areas at the right time
- ▲ redesign and modernisation of audit processes; to ensure we can respond quickly as priorities change, reduce time to deliver findings and manage resources efficiently
- ▲ increasing investment in high value data analytics work; shifting the focus of work towards a data driven model that provides wider assurance in real time
- ▲ introducing better measures of outcomes from audit work, to enable us to direct resources to areas of most value to our clients.

Strategy focus area 2 includes further development of assurance mapping arrangements. This is an outstanding issue from previous improvement plans. We are currently undertaking a pilot assurance mapping exercise in partnership with officers at one of our key clients. The lessons learnt from this will be used to further develop processes to be rolled out as part of our core internal audit service. Completion of actions in this area will further reduce the areas of non-conformance with the standards (section 3 above).

In the 2020/21 QAIP we reported on the findings from the last Quality Assurance Group review, focussed on the follow up of agreed actions. The findings have been finalised and a programme of work is underway to improve these

⁴ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

processes. This includes updates to processes (including integration with client risk management systems where appropriate), a full review of all outstanding actions across all clients, and further training for all auditors. This work will be completed in 2022/23.

A further review by the group in 2021/22 focussed on the consistency of opinions given for individual audit assignments. This follows the adoption of a revised four level opinion framework introduced in 2020/21, in accordance with recommendations from Cipfa. It was found that in almost all cases the opinions given on completed work was consistent with the guidance contained in the Veritau audit manual, and supported by the number and priority of actions. Auditors continue to use the guidance and professional judgement when forming conclusions on individual pieces of work. We will feedback and discuss the wider findings as part of auditor training in 2022/23.

6.0 Overall Conformance with PSIAS ***(Opinion of the Head of Internal Audit)***

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

COUNTER FRAUD ANNUAL REPORT 2021/22

Date: 19 July 2022

ANNEX 2



CONTENTS



Background

3



Key performance
figures

3



Analysis of
results

3



Covid-19

5



Counter fraud management

5

Appendix A

Detailed Summary of Performance 2021/22

7



Daniel Clubb
Corporate Fraud Manager



Max Thomas
Head of Internal Audit



BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year¹. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. We employ qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The purpose of this report is to provide the Audit, Governance and Standards Committee with a summary of work undertaken by Veritau's counter fraud team in the course of the 2021/22 financial year.



KEY PERFORMANCE FIGURES

- 4 In 2021/22, the counter fraud team helped the Council achieve £12,294 of Council Tax and Council Tax Support savings, and £5,681 of Covid-19 grant savings. The team detected £18.5k of loss due to fraud and error over the course of the financial year, and helped identify £65.4k of Covid-19 grant money for recovery.
- 5 Veritau received 85 referrals of suspected fraud from members of the public and Council staff. Thirty-eight investigations were completed in 2021/22, across a number of areas. The counter fraud team obtained successful outcomes² in 47% of investigations. In addition, six Covid-19 grant applications were passed to Veritau for enhanced verification checks to confirm applicants' eligibility.
- 6 Warnings were issued to nine people in relation to their conduct when claiming either Council Tax Support or Covid-19 support payments from the Council. One incorrect application for a Covid-19 grant was stopped before payment.
- 7 A detailed summary of performance can be found in appendix A, below.



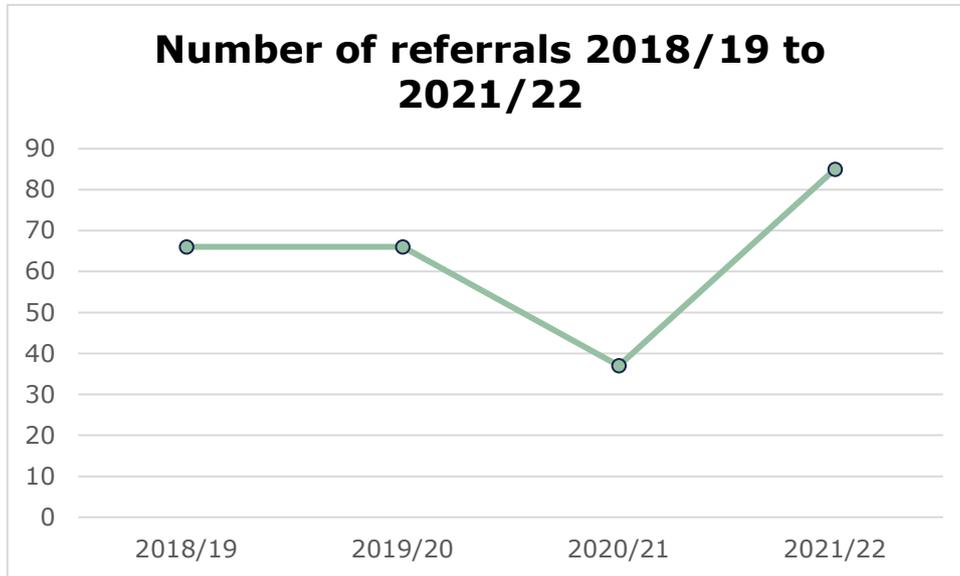
ANALYSIS OF RESULTS

- 8 In 2020/21 the counter fraud team noted a marked reduction in referrals received compared to previous years. We believed this was a result of the pandemic. For example due to Council employees undertaking other

¹ Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons

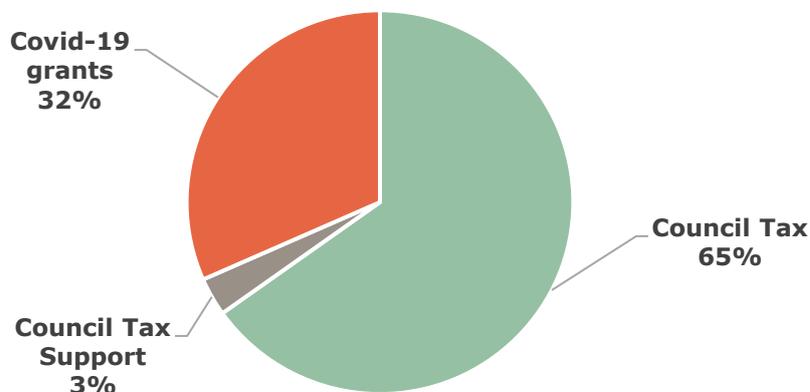
² Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, or management action taken.

activities while supporting the Council's response to Covid-19; and fewer opportunities for the public to identify fraud in the community during restrictions. However, this has changed in 2021/22, with referral numbers increasing above pre-pandemic levels. Referral numbers for the last few years are shown in the figure below.



- 9 The counter fraud team calculates savings that the Council achieves as a result of investigative work. Over the last four years, Veritau has helped the Council make over £198.5k in counter fraud savings. The savings figures comprise repayment of debt arising from investigative work, a maximum of one year future savings if an investigation has stopped an ongoing fraud that would otherwise have continued, and the prevention of any one-off payments that would have been made without the intervention of the team. A breakdown of the savings achieved in 2021/22 is shown below.

Breakdown of Savings 2021/22





COVID-19

- 10 Hambleton District Council has played a key role in distributing government grants to local businesses over the last two years. Across all schemes, the Council made over 9,700 payments totalling £62 million. Nationally, grant schemes have been targeted by criminals operating within the UK and abroad. The counter fraud team investigated any suspicious applications referred by members of staff, shared intelligence with Council colleagues, facilitated access to national data matching systems, and undertook a verification exercise to assist the Council to meet government requirements.
- 11 Across all grant schemes, £205.5k of attempted fraud or error has been detected for applications received by the Council. This represents 0.3% of total grants paid. The low level of fraud detected reflects positively on the robust processes put in place by the Council (supported by counter fraud officers).
- 12 Council officers reviewed 45 Covid-19 related data matches that formed part of the National Fraud Initiative. One matter was referred to Veritau for investigation which resulted in a Business Rates liability of over £6k being raised.
- 13 Veritau continued to attend and support the Council's Covid-19 grant assurance group in 2021/22. The group discussed implementation of support schemes as they were announced, reviewed grant applications where there were technical queries, and discussed findings for cases that were investigated by Veritau.



COUNTER FRAUD MANAGEMENT

- 14 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the Council. The Council's counter fraud strategy was last updated in October 2021. The strategy put an emphasis on raising awareness of fraud with both members of staff and the public in order to help prevent and detect fraud.
- 15 In 2021/22 the threat of cybercrime increased as councils and other organisations were targeted by increasingly sophisticated frauds. Following increases in mandate fraud (also known as payment diversion fraud) noted both regionally and nationally the counter fraud team helped to update processes within the Council and provided training to the Corporate Finance Team. In addition the team delivered content to all members of staff as part of cybercrime awareness month in October.
- 16 The Council depends on members of the public and employees raising any suspicions of fraud with the counter fraud team. Employees were encouraged to do so during International Fraud Awareness Week in November. A message advising the public on how to report fraud was also included with council tax bills in spring 2022.

- 17 Veritau worked with the Council's Human Resource Team to review whistleblowing arrangements. As part of this work, whistleblowing specialists in the counter fraud team delivered two sets of awareness sessions – one to managers detailing their responsibilities when receiving information, and another for all staff to raise awareness of the policy and processes.
- 18 The counter fraud team helps to ensure that the Council meets statutory obligations. It prepares information on counter fraud for publication, in accordance with the requirements of the Local Government Transparency Code (2015).
- 19 Veritau represent the Council at the Yorkshire and Humber Fraud Investigation Group to share and receive best practice and information on regional fraud threats.

APPENDIX A: COUNTER FRAUD ACTIVITY 2021/22

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2021/22.

	2021/22 (Actual: Full Yr)	2021/22 (Target: Full Yr)	2020/21 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£12,294	£16,000	£4,741
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	47%	30%	29%
Amount of savings from the prevention of Covid-19 grant fraud	£5,681	n/a	£140,000

Page 34

Caseload figures for the period are:

	2021/22 (Full Year)	2020/21 (Full Year)
Referrals received	85	37
Number of cases under investigation	18 ³	25 ⁴
Number of investigations completed	38	22
Number of verification cases completed	6	9

³ As at 31/03/2022

⁴ As at 31/03/2021.

Summary of counter fraud activity

Activity	Work completed or in progress
Data matching	<p>Matches from data submitted in 2020/21 to the National Fraud Initiative became available in 2021/22. Council officers reviewed over 300 matches that brought together information from a range of internal and external sources. Approximately £2.9k of incorrectly awarded funds were identified, and £1.4k in savings were achieved.</p> <p>In 2021/22, the National Fraud Initiative supported the Council's Covid-19 grant assurance effort by matching local applications with national records. One case was investigated by Veritau which resulted in a saving of £10k.</p>
Fraud detection and investigation	<p>Veritau continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2021/22 includes the following:</p> <ul style="list-style-type: none"> • Covid-19 related fraud – The team investigated 10 cases and undertook verification checks on six applications for Covid-19 grant funding. Twenty-two referrals were received in total. Five businesses were issued warnings for obtaining a grant they were not entitled to. As a result, over £5k of undue grant payments were recovered and incorrect payments of almost £7k were prevented as a result of investigative work. • Council Tax Support fraud – Twenty-six referrals for suspected Council Tax Support fraud were received. Eight cases were completed. Two matters were referred to the DWP but no fraud was found in the remaining cases. Investigations helped the Council to recover £580. • Council Tax Fraud – The team received 20 referrals in this area and completed 13 investigations. Investigative work generated savings of £11.5k. Three people were issued with warnings in relation to incorrectly obtaining a Single Person Discount on their Council Tax liability. • Business Rates fraud – Three referrals were received about potential Business Rates fraud. One case was completed and resulted in a business owner receiving a warning about their receipt of a Business Rates relief. • Internal, External & Third Party fraud – No referrals of this nature were received in 2021/22.

This page is intentionally left blank

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 19 July 2022

From: Chief Executive

Subject: **Annual Report to Cabinet on Audit, Governance and Standards Committee Activities 2021/22**

Portfolio Holder: Governance
Councillor Mrs I Sanderson

Wards Affected: All Wards

1.0 Purpose and Background

1.1 The purpose of this report is to consider a draft report which analyses the work undertaken by the Audit, Governance and Standards Committee for the year to 31 March 2022. Under the Committee's Terms of Reference, it is proposed that the report will be presented at Cabinet in September 2022. The draft report is attached as Annex 'A'.

2.0 Risk Assessment

2.1 There are no risks associated with the recommendations of this report.

3.0 Recommendation

3.1 It is recommended that:-

- (1) the Committee agree the content of the report; and
- (2) the report is submitted to Cabinet.

Dr Justin Ives
Chief Executive

Background papers: Audit, Governance and Standards Committee reports for 2021/22

Author ref: JI

Contact: Dr Justin Ives
Chief Executive

Audit, Governance and Standards Committee

Work Undertaken During 2021/22

1. External Audit – Ernst & Young LLP

Ernst & Young, as the Council's external auditor from April 2021 to March 2022, presented reports that covered:-

- Statutory Auditor's report on the 2019/20 Audit – the Annual Results Report was presented in March 2022 and received by the Committee. There were some recommendations and appropriate Management Responses were agreed. These accounts have still not been officially signed off.

2. Internal Audit – Veritau North Yorkshire Ltd

- Presented the 2020/21 Internal Audit Annual Report, where a substantial assurance opinion of the organisation was given. The Report was accepted.
- Internal Audit Progress Reports - a comparison of the actual performance against target throughout the year in the quarterly reviews. The committee was satisfied with the performance and the internal audit review programme was completed in the year.
- The Veritau Internal Audit, Counter Fraud and Information Governance Plans 2022/23 were presented.

3. Counter Fraud and Anti-Corruption – Veritau North Yorkshire Ltd

- Counter Fraud Annual Report 2020/21 was reported and accepted.
- The Counter Fraud Framework Update was reported
- Counter Fraud Progress Reports – an update was provided to Committee on a quarterly basis.

4. Accounts and Governance – Hambleton District Council Officers

These reports cover the presentation of:

- The Statement of Accounts 2019/20 - These statutory financial accounts were presented to Committee in March 2022 alongside the Audit Results report.
- The Annual Governance Statement (AGS) for 2019/20– this a statement required by statute which follows the guidelines issued by the Chartered Institute of Public Finance (CIPFA). It describes the internal control environment and the steps the Council has taken to ensure:-
 - its business is undertaken in accordance with the law;

- it maintains proper safeguards that provide good governance;
- public money is safeguarded, and;
- its resources are used economically, efficiently and effectively.

The Committee agreed with the conclusion of the review and approved the content of the AGS. This statement was updated and revised in line with the finalisation of the audit presented in March 2022 and approved.

- CIPFA Financial Management Code – was undertaken and report presented to Committee. It demonstrated a culture for strong, sustainable financial management giving assurance that the authority is managing resources effectively. Members received the report and endorsed the position.
- Review of Annual Treasury Management Strategy 2022/23 and Review of Capital Strategy 2022/23 in accordance with CIPFA best practice.

5. Risk Management – Hambleton District Council Officers

The Committee received an Annual Review of the Council's risk management process. The Project Risks are aligned with the Key Corporate Projects as identified in the Council Plan. The Service Risks with a net risk threshold of 12 and Corporate Risks had also been reviewed with all three areas of risk being updated in the risk register.

6. Regulation of Investigatory Powers Act – Hambleton District Council Officers

- Review of activity was reported on a bi-annual basis where all were nil and accepted.
- The review of the Policy on the Regulation of Investigatory Powers Act was approved.

7. Constitution and other work

The Committee received reports covering:-

- Politically Restricted Posts
- Annual Report Code of Conduct complaints was presented to committee
- Annual report to Cabinet on Committee's activities for 2021/22
- Annual review of the Committee's Terms of Reference
- Report programme 2022/23

8. Standards

The Committee has responsibility for the Standards regime. The Standards Hearings Panel has not considered any complaints under the District Council's Code of Conduct Allegations Procedure.

This page is intentionally left blank